

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	

COMMENTS OF WORLDCOM, INC.

I. Introduction

WorldCom, Inc. (WorldCom) hereby responds to the Public Notice of the Federal-State Joint Board on Universal Service (Joint Board) seeking comment on possible revisions to the universal service low-income programs, Lifeline and Link-Up.¹ Lifeline and Link Up provide eligible low-income consumers with discounts on local telecommunications service and connection fees. WorldCom supports the Lifeline and Link Up programs as effective mechanisms for helping to keep eligible low-income consumers connected to the public switched telephone network. WorldCom further supports the Joint Board in its efforts to review the effectiveness and efficiency of the programs. In particular, Lifeline and Link Up must be carefully targeted, with adequate controls for avoiding the possibility of fraud, waste, or abuse. Without such controls, the size of the universal service fund will increase unnecessarily, which would contribute to the increasing unsustainability of universal service support mechanisms. This ultimately would undermine the Lifeline and Link Up programs, other universal service programs, and the public interest in general.

II. Comments

In considering revisions to Lifeline and Link Up, the Joint Board should carefully consider the impact of any such revisions on the size of the universal service support mechanisms. As WorldCom discusses in its comments in the pending proceeding to reform universal service assessment and recovery mechanisms, upcoming increases in the size of the universal service fund through implementation of the Multi-Association Group (MAG) plan for rate-of-return carriers and possibly other universal service initiatives, coupled with the decreasing long-distance voice revenues experienced by IXC's, will result in universal service line charges in amounts that may be unsustainable.² The size of the universal service fund is \$5.5 billion and growing. Implementation of the MAG plan on July 1, 2002, will increase the fund by approximately \$300-\$400 million.³ The Bush administration predicts that by 2006 the universal service fund will be \$7.9 billion.⁴ Meanwhile, long distance revenues are in a sustained decline, providing IXC's with fewer dollars from which to recoup their universal service costs. The combined effect of these circumstances mean that universal service line charges, which currently are about 9.9 percent of a customer's interstate bill, may well increase to 10 percent or more. The Joint

¹ Federal-State Joint Board on Universal Service Seeks Comment on Review of Lifeline and Link-Up Service for All Low-Income Consumers, Public Notice, CC Docket No. 96-45, Oct. 12, 2001 (Public Notice).

² See WorldCom Comments, *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, filed June 25, 2001, at p. 9, note 14 (discussing current proposals that would increase the size of the universal service fund).

³ *In the Matter of Multi-Association Group Plan for Regulation of Interstate Services for Non-Price Cap Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation*, CC Docket No. 98-77; *Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket No. 98-166, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256; Fifteenth Report and Order in CC Docket No. 96-45; and Report and Order in CC Docket Nos. 98-77 and 98-166, rel. Nov. 8, 2001.

⁴ See *Fiscal Year 2002 Budget of the United States Government: Analytical Perspectives*.

Board therefore should carefully consider how any changes to Lifeline and Link Up will impact the overall size of the fund and consumer line charges.

At a minimum, the Joint Board should not recommend that the Commission make any changes to Lifeline and Link Up that will increase the size of the fund until the Commission completes its pending proceeding to reform universal service assessment and recovery mechanisms. In that proceeding, WorldCom, AT&T, Ad Hoc Telecommunications Committee, and e-TUG (“the Coalition”) and others recommend that the Commission move to a flat, per-connection assessment and recovery mechanism. Under the Coalition’s proposal, Lifeline consumers would not pay universal service line charges.

If and when the Joint Board recommends any steps to expand the low-income programs, the Joint Board should recommend that the Commission require potential Lifeline customers to provide independent verification that they are eligible to receive Lifeline and Link Up assistance. Currently, consumers in states that do not participate in the federal Lifeline program are permitted to “self-certify” their eligibility.⁵ Consumers in states that do participate in the Federal Lifeline program are subject to their particular state’s rules regarding eligibility verification.⁶ The Joint Board should recommend that the Commission amend its rules to require eligible telecommunications carriers in states that do not participate in the federal Lifeline program to obtain from customers independent eligibility verification (e.g., a copy of a food stamp coupon) in order for those customers to receive Lifeline and Link Up assistance. Similarly, the Commission should require state regulatory agencies in states that do participate in the federal Lifeline

⁵ *In the Matter of Federal-State Joint Board on Universal Service*, Report and Order, CC Docket No. 96-45 (rel. May 8, 1997) (Universal Service Order) at para. 377.

program to mandate that customers provide independent eligibility verification in order to receive Lifeline and Link Up assistance. Neither self-certification nor no-certification should be permitted, as these methodologies could increase fraud and abuse and unnecessarily increase the size of the universal service support mechanism. Unnecessary increases in the size of the fund unduly burden all customers, including those of moderate means. As an example of how self-certification can impact the size of the universal service fund, California permits customers to self-certify, and it receives approximately 55 percent of all federal low-income support dollars,⁷ even though its population is only 13.3 percent of the total U.S. population.⁸ WorldCom is concerned that if other states implement a program similar to California's and the "take-rate" is the same as in California (i.e., 122 percent of all households receiving means-tested cash or non-cash assistance), the size of the low-income support mechanism could increase three-fold. This degree of growth, in combination with other possible increases in the fund, is not sustainable. WorldCom supports wide participation in the universal service low-income programs, but only if there are controls on verification of program-eligibility so that the program does not expand improperly.⁹

Requiring Lifeline and Link Up eligibility verification should not adversely affect enrollment in the programs, because eligible consumers presumably possess some form of evidence of their income-status. In states that do not provide Lifeline assistance,

⁶ Universal Service Order at para. 376.

⁷ www.universalservice.org/li; May 2, 2001: Quarterly Filing Released, Appendix LI 6, page 1, May 2, 2001.

⁸ Population Reference Bureau, 2000 United States Population Data Sheet, Section 1, Resident Population, 1999 & 2015.

⁹ We note that we raised the Lifeline certification issue in a Petition for Reconsideration of the Universal Service First Report and Order, but, on December 5, 2001, at the request of the Common Carrier Bureau, we withdrew this request with the understanding that the issue would be addressed in the instant proceeding.

current eligibility criteria require that consumers participate in a federal means-tested assistance program. In states that do provide matching support, eligibility criteria must be based on income or factors directly related to income. In either of these cases, consumers should be able to make available without significant hardship evidence of participation in an assistance program or documentation demonstrating their income level. Furthermore, low-income consumers should inform carriers when they are no longer eligible to receive support, and, in any case, carriers should be required to periodically (e.g., annually) request verification of a consumer's eligibility for the programs. The public interest benefits of keeping the fund size sustainable, balanced against the minimal burden on consumers of providing documentation of their eligibility for the programs, warrant a requirement that there be independent verification of Lifeline and Link Up eligibility in all states.

III. Conclusion

In considering changes to the Lifeline and Link Up programs, the Joint Board should carefully balance the desired effects of any such changes against the impact on the size of the universal service fund. In no event should the Joint Board recommend that the Commission make any changes to the programs that would increase the size of the fund before the Commission acts on its proceeding to reform universal service collection and recovery mechanisms. Specifically, the Joint Board should require eligible telecommunications carriers in states that do not participate in the Federal Lifeline program to obtain from consumers independent, verifiable proof of eligibility for Lifeline and Link Up assistance. In states that do participate in the Federal Lifeline program, the Commission should require that state regulatory agencies mandate independent,

verifiable Lifeline and Link Up eligibility. Self-certification or no-certification should not be permitted.

Respectfully submitted,

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By _____

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